

**Tata Motors (SA) Proprietary Limited**  
**(Registration number:2007/034689/07)**

**Annual Financial Statements**  
*for the year ended 31 March 2018*

**Audited**

**Prepared by: Rakesh Lodha**  
**Chief Financial Officer**

Chartered Accountant from The Institute of Chartered Accountants of India & Company  
Secretary from The Institute of Company Secretaries of India

The financial statements represents the financial information of  
Tata Motors (SA) (Pty) Ltd and have been audited in compliance  
with S30 of the Companies Act of 2008.

# **Tata Motors (SA) Proprietary Limited**

*(Registration number:2007/034689/07)*

## **Annual Financial Statements**

*for the year ended 31 March 2018*

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## Independent Auditor's Report

### To the Shareholders of Tata Motors (SA) Proprietary Limited

#### *Opinion*

We have audited the financial statements of Tata Motors (SA) Proprietary Limited (the company) set out on pages 9 to 35, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tata Motors (SA) Proprietary Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act of South Africa and the Directors' Responsibility Statement. Other information does not include the financial statements and our auditor's report thereon.

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

KPMG Inc is a Registered Auditor, in public practice in terms of the Auditing Profession Act, 26 of 2005

Registration number 1999/021543/21

Chief Executive: N Dlamu

Directors: Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection



Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Per Willem Pretorius  
Chartered Accountant (SA)  
Registered Auditor  
Director  
13 April 2018

# Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

## Statement of Financial Position

at 31 March 2018

	Notes	2018 R	2017 R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	15 216 620	16 080 750
Intangible assets	4	-	-
<b>Current assets</b>			
Inventories	5	47 540 687	24 659 799
Tax assets		12 815	2 418 215
Trade and other receivables	6	59 368 070	64 566 126
Cash and cash equivalents	7	640 985	915 959
<b>Total assets</b>		<b>122 779 177</b>	<b>108 640 849</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	8	19 837 000	19 837 000
Retained earnings		7 156 242	3 835 560
<b>Non- Current Liabilities</b>			
Shareholders loans	9	11 329 800	11 329 800
Deferred taxation	10	1 348 327	1 674 780
Deferred income –long term (government grant)	11	2 134 086	2 298 246
<b>Current liabilities</b>			
Trade and other payables	12	80 509 698	69 455 603
Provisions	13	299 864	45 700
Deferred income- short term(government grant)	11	164 160	164 160
<b>Total equity and liabilities</b>		<b>122 779 177</b>	<b>108 640 849</b>

# Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

## Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2018

	Notes	2018 R	2017 R
Revenue	14	204 694 160	180 460 018
Cost of sales		<u>(190 818 108)</u>	<u>(169 417 749)</u>
<b>Gross profit</b>		<b>13 876 052</b>	<b>11 042 269</b>
Other income		850 151	614 378
Administrative and operating expenses		<u>(9 433 071)</u>	<u>(8 401 452)</u>
<b>Profit from operations</b>	15	<b>5 293 132</b>	<b>3 255 195</b>
Interest received	16	457 535	146 027
Finance costs	17	<u>(1 169 918)</u>	<u>(1 869 684)</u>
<b>Profit before taxation</b>		<b>4 580 749</b>	<b>1 531 538</b>
Taxation	18	<u>(1 260 067)</u>	<u>(456 600)</u>
<b>Net profit for the year</b>		<b>3 320 682</b>	<b>1 074 938</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b><u>3 320 682</u></b>	<b><u>1 074 938</u></b>

# Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

## Statement of Changes in Equity

for the year ended 31 March 2018

	Share Capital R	Retained Income R	Total R
<b>Balance at 1 April 2016</b>	19 837 000	2 760 622	22 597 622
Total comprehensive income for the period	-	1 074 938	1 074 938
<b>Balance at 1 April 2017</b>	19 837 000	3 835 560	23 672 560
Total comprehensive income for the period	-	3 320 682	3 320 682
<b>Balance at 31 March 2018</b>	<b>19 837 000</b>	<b>7 156 242</b>	<b>26 993 242</b>

# Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

## Statement of Cash Flows

for the year ended 31 March 2018

	Notes	2018 R	2017 R
<b>Cash flow from operating activities</b>			
Cash generated from operations	19	173 781	12 081 958
Finance costs		(552 676)	(1 869 684)
Interest received		457 535	146 027
Taxation paid		475 634	(520 243)
Net cash inflow from operating activities		<u>554 274</u>	<u>9 838 058</u>
<b>Cash flow from investing activities</b>			
Acquisition of plant and equipment and other assets to maintain operations	3	(829 247)	(245 906)
Net cash inflow from investing activities		<u>(829 247)</u>	<u>(245 906)</u>
<b>Cash flow from financing activities</b>			
		-	
Decrease of Shareholders loans		-	(10 000 000)
Net cash inflow from investing activities		<u>-</u>	<u>(10 000 000)</u>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(274 974)</b>	<b>(407 848)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>915 959</b>	<b>1 323 807</b>
<b>Cash and cash equivalents at end of the year</b>	7	<b><u>640 985</u></b>	<b><u>915 959</u></b>

# Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

## Notes to Financial Statements

for the year ended 31 March 2018

### 1. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards, the interpretations of the International Financial Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, and the requirements of the Companies Act of South Africa, 2008.

They were authorised for issue by the Company's board of directors on 13 April 2018.

The financial statements have been prepared on the historical cost basis. The principle accounting policies are set out below. This is in line with prior year.

### 2. Presentation of the annual financial statements

The annual financial statements are presented in South African Rands since that is the currency in which the majority of the company transactions are denominated.

### 3. Standards and interpretations issued but not yet effective

At the date of approval of the financial statements of Tata Motors (SA) Proprietary Limited for the year ended 31 March 2018, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation	Date issued by IASB	Effective date Periods beginning on or after
IFRS 15 <i>Revenue from contracts with customers</i>	May 2014	1 January 2018
IFRS 9 <i>Financial Instruments</i>	July 2014	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Considerations</i>	December 2016	1 January 2018
IFRS 16 <i>Leases</i>	January 2016	1 January 2019
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	June 2017	1 January 2019
IFRS 9 amendment <i>Prepayment Features with Negative Compensation</i>	October 2017	1 January 2019

The directors have not yet quantified the impact of the adoption of these standards and interpretations. However, the directors do not believe that these statements will have a material impact on the financial statements.

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

### 4. Property, plant and equipment

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other asset categories, commences when the assets are ready for their intended use.

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to income on the straight-line basis so as to write off the cost or valuation of the assets to their estimated residual values over their estimated useful lives. The estimated useful lives and residual values are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates used are as follows:

Item	Useful Life Range		
Machinery	4 Years	to	21 Years
Furniture and Fittings	4 Years	to	21 Years
Vehicles	9 Years		
Equipment	4 Years	to	30 Years
Leasehold Improvements	5 Years	to	30 Years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 5. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets relate to software and pre-operating expenses and are amortised over 4 to 5 years.

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements *(continued)*

for the year ended 31 March 2018

### 6. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated as the actual raw material cost and an appropriate proportion of variable and fixed overheads. Net realisable value presents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 7. Impairment

At each statement of financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

### 8. Revenue

Revenue is measured at the fair value of the consideration received or receivable.

#### *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 9. Foreign currency

Transactions in currencies other than the company's reporting currency (South African Rand) are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the statement of financial position date. Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded are recognised as income or expenses in the year in which they arise.

### 10. Lease rentals

Operating lease rentals are charged to income in a systematic manner related to the years of use of the assets concerned.

### 11. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

# Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

### 11. Taxation (continued)

#### *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

#### *Current and deferred tax for the year*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination.

### 12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements *(continued)*

for the year ended 31 March 2018

### 13. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

### 14. Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company has become a party to the contractual provisions of the instrument.

#### *Financial assets*

The company's financial assets are 'loans and receivables' including cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Loans and receivables*

Trade and other receivables and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payments through the expected life of the financial asset or liability (respectively), or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Derecognition of financial assets*

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# Tata Motors (SA) Proprietary Limited

(Registration number:2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

### 14. Financial instruments (continued)

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Trade and other payables and shareholder loans*

Trade and other payables and shareholders' loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### *Equity instruments*

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

### 15. Related party transactions

Related parties are defined as those parties that:

- a) directly, or indirectly through one or more intermediaries:
  - (i) control, are controlled by, or are under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) have an interest in the entity that gives it significant influence over the entity; or
- b) are members of the key management personnel of the entity or its parent including close members of the family.



# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

### 2. Significant Accounting Judgements

In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Residual values and useful lives*

The company depreciates their assets over their estimated lives taking into account residual values, which, following the adoption of International Accounting Standards (IAS16), Property, Plant and Equipment (revised), are re-assessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors.

#### *Income taxes and deferred taxes*

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

#### *Other estimates made*

The company also makes estimates for:

- the estimation of potential impairment of plant and equipment;
- the calculation of the doubtful debt allowance; and
- the calculation of any provision for claims, litigation and other legal matters.

# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

### 3. Property, plant and equipment

2018	Assets under construction	Machinery	Furniture and fittings	Vehicles	Equipment	Leasehold improvements	Total
<b>Cost</b>							
Balance as at 1 April 2017	-	5 183 017	199 277	187 595	10 119 512	9 836 609	25 526 010
Transfer from assets under construction	-	-	-	-	-	-	-
Additions	-	76 088	52 760	-	506 984	193 415	829 247
Scrapped	-	(56 739)	-	(1 595)	(897 240)	-	(955 574)
<b>Balance as at 31 March 2018</b>	-	5 202 366	252 037	186 000	9 729 256	10 030 024	25 399 683
<b>Accumulated Depreciation</b>							
Balance as at 1 April 2017	-	1 548 156	82 862	127 815	5 171 490	2 514 937	9 445 260
Depreciation	-	304 133	18 866	21 037	752 712	461 986	1 558 734
Scrapped	-	(31 465)	-	(1 595)	(787 872)	-	(820 932)
<b>Balance as at 31 March 2018</b>	-	1 820 824	101 728	147 257	5 136 330	2 976 923	10 183 062
<b>Carrying Value</b>							
Balance as at 1 April 2017	-	3 634 862	116 415	59 780	4 948 021	7 321 672	16 080 750
<b>Balance as at 31 March 2018</b>	-	3 381 542	150 309	38 743	4 592 926	7 053 101	15 216 620

# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

### 3. Property, plant and equipment (continued)

2017	Assets under construction	Machinery	Furniture and fittings	Vehicles	Equipment	Leasehold improvements	Total
<b>Cost</b>							
Balance as at 1 April 2016	32 962	5 074 932	218 842	187 595	10 060 227	9 816 959	25 391 517
Transfer from assets under construction	(32 962)	-	-	-	32 962	-	-
Additions	-	108 085	2 455	-	115 715	19 650	245 905
Scrapped	-	-	(22 021)	-	(89 393)	-	(111 414)
<b>Balance as at 31 March 2017</b>	-	5 183 017	199 276	187 595	10 119 512	9 836 609	25 526 008
<b>Accumulated Depreciation</b>							
Balance as at 1 April 2016	-	1 249 939	69 253	106 380	4 326 863	2 054 840	7 807 275
Depreciation	-	298 217	21 267	21 435	903 924	460 097	1 704 940
Scrapped	-	-	(7 658)	-	(59 297)	-	(66 955)
<b>Balance as at 31 March 2017</b>	-	1 548 156	82 862	127 815	5 171 490	2 514 937	9 445 260
<b>Carrying Value</b>							
Balance as at 1 April 2016	32 962	3 824 993	149 589	81 215	5 733 364	7 762 119	17 584 242
<b>Balance as at 31 March 2017</b>	-	3 634 861	116 414	59 780	4 948 021	7 321 672	16 080 750

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued) for the year ended 31 March 2018

### 4. Intangible assets

	Software	Total
<b>2018</b>		
<b>Cost</b>		
Balance as at 1 April 2017	4 083 582	4 083 582
Transfer from assets under construction	-	-
Additions	-	-
Scrapped	-	-
<b>Balance as at 31 March 2018</b>	<u>4 083 582</u>	<u>4 083 582</u>
<b>Accumulated Depreciation</b>		
Balance as at 1 April 2017	-	-
Depreciation	-	-
Scrapped	-	-
<b>Balance as at 31 March 2018</b>	<u>4 083 582</u>	<u>4 083 582</u>
<b>Carrying Value</b>		
Balance as at 1 April 2017	-	-
<b>Balance as at 31 March 2018</b>	<u>-</u>	<u>-</u>
<b>2017</b>		
<b>Cost</b>		
Balance as at 1 April 2016	4 083 582	4 083 582
Transfer from assets under construction	-	-
Additions	-	-
Scrapped	-	-
<b>Balance as at 31 March 2017</b>	<u>4 083 582</u>	<u>4 083 582</u>
<b>Accumulated Depreciation</b>		
Balance as at 1 April 2016	-	-
Depreciation	-	-
Scrapped	-	-
<b>Balance as at 31 March 2017</b>	<u>4 083 582</u>	<u>4 083 582</u>
<b>Carrying Value</b>		
Balance as at 1 April 2016	-	-
<b>Balance as at 31 March 2017</b>	<u>-</u>	<u>-</u>

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018 R	2017 R
<b>5. Inventories</b>		
Finished Goods	17 549 462	16 194 074
Raw material	18 188 380	6 802 369
Goods in transit	11 783 112	1 586 400
Inventory of consumables tools, stores and spares	19 733	76 956
	<u>47 540 687</u>	<u>24 659 799</u>

During 2018 inventory was written down by R 372 170 (2017: nil) to their net realisable value.

<b>6. Trade and other receivables</b>		
Trade receivables		
- Related parties (note 20)	57 901 367	64 439 157
South African Revenue Service(VAT)	1 113 482	-
Other	353 221	126 969
Provision for doubtful debts	-	-
	<u>59 368 070</u>	<u>64 566 126</u>

The carrying amount of the trade and other receivables is considered by the Directors to approximate its fair value.

There were no transfers between Levels 1, 2 and 3 during the financial year.

Based on ageing and credit risk, the directors consider all trade receivables to be fully recoverable, and as such have not raised any provision for doubtful debts in the current year.

<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents	<u>640 985</u>	<u>915 959</u>
	<u>640 985</u>	<u>915 959</u>

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The Directors consider the carrying amounts of these assets approximate their fair values.

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018 R	2017 R
<b>8. Share Capital</b>		
<i>Authorised</i>		
42 000 000 ordinary shares of R1 each	<u>42 000 000</u>	<u>42 000 000</u>
<i>Issued</i>		
19 837 000 ordinary share of R1 each	<u>19 837 000</u>	<u>19 837 000</u>
<p>The unissued shares will remain under the control of Directors until issuance thereof.</p>		
<b>9. Shareholders' loans</b>		
TML Holding Pte Limited	6 797 800	6 797 800
Tata Africa Holdings (SA) Proprietary Limited	4 532 000	4 532 000
	<u>11 329 800</u>	<u>11 329 800</u>
<p>These loans are unsecured and Rand denominated, bear interest at Prime Interest Rate in SA and are repayable in May 2020. The carrying amount approximates fair value.</p>		
<b>10. Deferred taxation</b>		
Opening balance	1 674 780	1 640 229
Provision / (release) for the year	<u>(326 453)</u>	<u>34 551</u>
Closing balance	<u>1 348 327</u>	<u>1 674 780</u>
<b>Deferred taxation comprises:</b>		
Depreciation/Wear & Tear	2 848 445	2 402 178
Provision	<u>(1 500 118)</u>	<u>(727 397)</u>
Deferred taxation liability	<u>1 348 327</u>	<u>1 674 781</u>

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018	2017
	R	R
<b>11. Deferred income</b>		
<b>Government Grant:</b>		
Current	164 160	164 160
Non- current	2 134 086	2 298 246
	<u>2 298 246</u>	<u>2 462 406</u>

The government grants relate to EIP grants received of R3 447 366 relating to capital expenditure. The income release to the statement of profit or loss and other comprehensive income of R 164 160 (2017: R 164 160) is reflected in other income.

## 12. Trade and other payables

Trade payables		
Related parties(note 22)	67 318 962	59 878 114
External	9 705 630	4 695 480
	<u>77 024 592</u>	<u>64 573 594</u>
Accrued interest on shareholder (note 22)	617 242	725 895
Payroll related accruals	1 096 711	1 426 006
Other payables	1 771 153	1 126 143
South African Revenue Service (VAT)	-	1 603 965
	<u>80 509 698</u>	<u>69 455 603</u>

Included above are amounts on account of interest on shareholders' loans to Tata Africa Holdings (SA) (Pty) Limited of R269 809 (2017: R389 185) and to TML Holdings Pte. Limited of R347 433 (2017: R336 710).

The Directors consider the carrying value of the trade and other payables to approximate their fair value due to the short maturity period of these financial instruments.



# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018	2017
	R	R
<b>13. Provisions</b>		
Opening balance	45 700	772 350
Provision raised during the year	254 164	158 750
Reversal of provision	-	(885 400)
Closing balance	<u>299 864</u>	<u>45 700</u>

The above pertains to warranty provision for possible assembly defects.

## 14. Revenue

Sale of vehicles	<u>204 694 160</u>	<u>180 460 018</u>
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## 15. Profit from operations

Profit from operations is arrived at after taking the following items into account:

Audit fees		
- Current year	445 348	475 000
- Prior year under / (over) provision	114 700	(12 500)
	<u>560 108</u>	<u>462 500</u>
Depreciation and Amortization		
- Machinery	304 133	298 217
- Furniture and fittings	18 866	21 267
- Vehicles	21 037	21 435
- Equipment	752 712	903 924
- Leasehold improvement	461 986	460 097
- Intangible assets	-	-
	<u>1 558 734</u>	<u>1 704 940</u>
Assets scrapped	134 642	44 458
Consulting fees	1 653 184	2 190 649
Interest & Penalty SARS	-	93 290
Write down to net realisable value	372 170	-

# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018 R	2017 R
<b>15. Profit from operations (continued)</b>		
Rental of :		
- Premises	3 026 327	2 160 000
- Vehicles	282 254	269 570
	<u>3 308 581</u>	<u>2 429 570</u>
Non-cancellable Operating Lease Commitments		
- Not later than 1 year	2 907 688	2 275 200
- Later than 1 year but not later than 5 years	3 845 649	6 018 002
	<u>6 753 337</u>	<u>8 293 202</u>
Company's contribution to pension fund	1 462 549	1 188 587
Other staff costs	16 460 225	17 745 148
Total staff costs	<u>17 922 774</u>	<u>18 933 735</u>
<b>16 Interest received</b>		
Bank Interest	<u>457 535</u>	<u>146 027</u>
<b>17 Finance costs</b>		
TML Holdings Pte Limited	701 943	1 124 564
Tata Africa Holdings (SA) Proprietary Limited	467 975	745 120
	<u>1 169 918</u>	<u>1 869 684</u>
<b>18. Taxation</b>		
SA Normal income tax for the year		
Current taxation	1 586 520	422 049
Deferred taxation	(326 453)	34 551
	<u>1 260 067</u>	<u>456 600</u>
<b>Reconciliation of South Africa tax rate</b>		
SA normal tax rate	28%	28%
Permanent differences	0%	2%
Effective rate	<u>28%</u>	<u>30%</u>

# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018	2017
	R	R
<b>19. Cash flows generated from from operations</b>		
Profit before taxation	4 580 749	1 531 538
Adjustments for:		
Income from EIP grant	(164 160)	(164 160)
Assets scrapped	134 642	44 458
Finance charges	1 169 918	1 869 684
Depreciation	1 558 734	1 704 940
(Decrease)/Increase in provisions	254 164	(726 650)
Interest received	(457 535)	(146 027)
Write down to net realisable value	372 170	-
	<u>7 448 682</u>	<u>4 113 783</u>
<b>Adjustments for working capital:</b>		
Decrease / (Increase) in trade and other receivables	5 198 056	(3 676 714)
Increase / (Decrease) in trade and other payables	10 780 099	(14 561 014)
(Increase) / Decrease increase in inventories	(23 253 057)	26 205 903
	<u>173 781</u>	<u>12 081 958</u>

## 20. Financial instruments - Risk management

### 20.1 Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stake holders through the optimisation of the debt and equity balances.

The company monitors capital on a basis of debt to equity. Debt comprises of interest bearing debt from shareholders. Equity comprises share capital and reserves

# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018	2017
	R	R
<b>20. Financial instruments - Risk management (continued)</b>		
20.1 Capital risk management (continued)		
The gearing ratio at the year-end is as follows		
Debt	11 329 800	11 329 800
Cash and cash equivalents	<u>(640 985)</u>	<u>(915 959)</u>
Net Debt	10 688 815	10 413 841
Share capital	19 837 000	19 837 000
Retained Earnings	<u>7 156 242</u>	<u>3 835 560</u>
Shareholding equity	26 993 242	23 672 560
Gearing ratio	40%	44%

Tata Motors SA Proprietary Limited engages with the board of directors and shareholders to ensure the company is sufficiently funded.

### 20.2 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- market risk (interest rate risk)
- credit risk
- liquidity risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

		2018	2017
		R	R
<b>20. Financial instruments - Risk management (continued)</b>			
20.4 Credit risk (continued)			
Financial assets exposed to credit risk at year end were as follows:			
<i>Loans and receivables</i>	<b>Note</b>		
Trade and other receivables	6	59 368 070	64 566 126
Cash and cash equivalents	7	<u>640 985</u>	<u>915 959</u>
20.5 Liquidity risk			
The responsibility for liquidity risk management rests with Tata Motors (SA) Proprietary Limited management and ultimately the Board of Directors. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by monitoring actual cash flows. Tata Motors (SA) Proprietary Limited engages with the Board and shareholders to ensure that the company has adequate funds to cover its commitments over the next twelve months			
<i>Exposure to liquidity risk</i>			
The following are the remaining contractual maturities of financial liabilities at the reporting date.			
<i>Financial liabilities at amortised cost</i>	<b>Note</b>	<b>Contractual cash flows</b>	
		<b>Total</b>	<b>1 Year</b>
			<b>2 to 5 Years</b>
<b>2018</b>			
Trade and other payables	12	80 509 699	80 509 699
Shareholder loans	9	13 784 420	-
		<u>13 784 420</u>	<u>13 784 420</u>
<b>2017</b>			
Trade and other payables	12	67 976 625	67 976 625
Shareholder loans	9	11 329 800	-
		<u>11 329 800</u>	<u>11 329 800</u>
		<b>2018</b>	<b>2017</b>
		R	R
<b>21. Guarantees</b>			
The following bank guarantees exist with Standard Bank:			
South African Revenue Service		<u>1 420 000</u>	<u>1 420 000</u>



# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018 R	2017 R
<b>22. Related party transactions</b>		
During the year, the company entered into the following transactions with related parties:		
<i>Tata Automobile Corporation (SA) (Pty) Limited</i>		
<i>Fellow Subsidiary</i>		
- Payment for expenses incurred for TMSA	(507 313)	(159 203)
- Purchase of spare parts	(124 120)	(18 796)
- Revenue for the sale of vehicles	<u>192 653 160</u>	<u>179 284 018</u>
<i>Tata Africa Holdings (SA) (Pty) Limited</i>		
<i>Shareholder</i>		
- Rental of premises (note 15)	(2 275 200)	(2 160 000)
- Insurance premium paid on leased assets	(72 643)	(78 380)
- Interest on loan (note 17)	(467 976)	(745 120)
- Insurance claim received	<u>55 265</u>	<u>-</u>
<i>Tata Motors Limited</i>		
<i>Fellow Subsidiary</i>		
- Services rendered	47 687	(776 087)
- Supply of SKD kits	(135 683 093)	(96 565 541)
- IT chargeback	<u>(621 817)</u>	<u>(686 825)</u>
<i>Tata Daewoo Commercial Vehicle Company Limited</i>		
<i>Fellow Subsidiary</i>		
- Supply of SKD kits	<u>(19 455 988)</u>	<u>-</u>
<i>TML Holdings Pte. Limited</i>		
<i>Shareholder</i>		
- Interest on loan (note 17)	<u>(701 943)</u>	<u>(1 124 564)</u>
<i>Tata Technologies Limited</i>		
<i>Fellow Subsidiary</i>		
- Services rendered	<u>(540 000)</u>	<u>(575 153)</u>
<i>Tata de Mocambique LDA</i>		
<i>Fellow Subsidiary</i>		
- Revenue sale of vehicles	<u>12 041 000</u>	<u>1 176 000</u>
<i>Tata Sons Limited</i>		
<i>Promoter of major companies within the Tata Group</i>		
- Brand equity	<u>(241 092)</u>	<u>(80 607)</u>

# Tata Motors (SA) Proprietary Limited

(Registration number: 2007/034689/07)

## Notes to Financial Statements (continued)

for the year ended 31 March 2018

	2018	2017
	R	R
<b>22. Related party transactions (continued)</b>		
As at year end, the company had the following outstanding balances with related parties:		
<i>Tata Automobile Corporation (SA) (Pty) Limited</i>		
<i>Fellow Subsidiary</i>		
- Trade receivables (note 6)	57 901 367	64 439 157
- Trade payables (note 12)	<u>422 632</u>	<u>-</u>
<i>Tata Africa Holdings (SA) (Pty) Limited</i>		
<i>Shareholder</i>		
- Accrued interest on shareholders' loans (note 17)	269 809	389 185
- Shareholders' loan (note 9)	<u>4 532 000</u>	<u>4 532 000</u>
<i>Tata Motors Limited</i>		
<i>Shareholder</i>		
- Trade payables (note 12)	<u>47 109 250</u>	<u>39 559 258</u>
<i>Tata Daewoo Commercial Vehicle Company Limited</i>		
<i>Fellow Subsidiary</i>		
- Trade payables (note 12)	<u>19 455 988</u>	<u>20 273 856</u>
<i>TML Holdings Pte. Limited</i>		
<i>Shareholder</i>		
- Accrued interest on shareholders' loans (note 17)	347 433	336 710
- Shareholders' loan (note 9)	<u>6 797 800</u>	<u>6 797 800</u>
<i>Tata Technologies Limited</i>		
<i>Fellow Subsidiary</i>		
- Payables for services rendered (note 15)	<u>90 000</u>	<u>45 000</u>
<i>Tata Sons Limited</i>		
<i>Promoter of major companies within the Tata Group</i>		
- Brand equity (note 12)	<u>(241 092)</u>	<u>(80 607)</u>

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# Tata Motors (SA) Proprietary Limited

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## Notes to Financial Statements (continued)

for the year ended 31 March 2018

2018  
R

2017  
R

### 23. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the normal course of business.

### 24. Directors emoluments

	Basic R	Company Contributions R	Bonus R	Total R
<b>2018</b>				
Ashish Sharma	252 099	-	-	252 099
Rakesh Lodha	1 988 855	-	58 864	2 047 719
Pranab Ghosh	473 962	-	-	473 962
	<u>2 714 916</u>	<u>-</u>	<u>58 864</u>	<u>2 773 780</u>
<b>2017</b>				
Ashish Sharma	1 156 895	-	191 852	1 348 747
K Roy	321 947	-	-	321 947
Rakesh Lodha	739 378	-	-	739 378
	<u>2 218 220</u>	<u>-</u>	<u>191 852</u>	<u>2 410 072</u>

All remuneration disclosed above was paid to prescribed officers in respect of services rendered as prescribed officers of the company for the financial year unless a prescribed officers resigned from or joined the company during the period.

### 25. Events after reporting period

There were no significant events that took place after the reporting period